



## Cannabis Alert: Hexo (TSX:HEXO) Is Poised to Soar More Than 70%

### Description

The majority of cannabis players, including industry leaders, are [major disappointments](#) thus far in 2021. After the blazing rally in February 2021, most weed stocks plunged to new lows. Nonetheless, competition remains intense in the pursuit of market dominance.

The much-awaited game changer is the federal legalization of marijuana in the United States. If it happens, Canadian producers will compete with their American counterparts for market share. According to ResearchAndMarkets.com, the worldwide cannabis industry is projected to be worth US\$90.4 billion by 2026.

If you size up the top players today, **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) appears to have the [upper hand](#). The weed stock outperforms (+71.73%) **Aurora Cannabis** (+12.64%) and **Canopy Growth** (+0.38%). Aphria and **Tilray** recently merged, so the integration is ongoing.

### Grand plans

Hexo currently trades at \$8.02 per share. If you own the stock, market analysts recommend a hold rating. They forecast the price to climb 74.6% to \$14 in the next 12 months. On May 28, 2021, the company announced the acquisition of Redecan, the country's largest privately owned licensed producer.

The deal is worth \$925 million, payable in cash and through the issuance of Hexo common shares. Sebastien St-Louis, Hexo's CEO and co-founder, believes the acquisition will bolster the company's desire to be the number one licensed producer by recreational market share.

St-Louis is confident the business combination will reinforce Hexo's position as an industry leader. Redecan is one of the most robust brand portfolios in the country. It should also create a robust foundation for growth, efficiency at scale, and improved financial results.

Moreover, it would mean that Hexo would hold the number one market share in Canadian recreational cannabis and lead in four of Canada's largest markets. Hexo expects Redecan's lean production

capabilities to drive improved future financial performance and enhance potential to generate cash flow.

## Primary goal

St-Louis further adds that Hexo will be at the forefront of the evolving adult-use industry in Canada. By leveraging the combined expertise of Hexo and Redecan, the company could keep up with the rapid pace. The benefit to consumers would be a diverse and innovative range of high-quality products.

Management's primary goal is to become a top-three global cannabis products company while driving shareholder value. The keys to achieving the goal are to expand its cutting-edge consumer packaged goods (CPG) partnerships and grow the international footprint.

Hexo is also looking to implement a private label strategy, which should be an integral part of its expansion plan in the United States. The company is aware that rivals Canopy Growth, Aurora Cannabis, and Tilray are likewise have all eyeing the same lucrative markets.

The counter move is the purchase of a 50,000-square-foot cannabis production facility in northern Colorado. The company will grant U.S. CPG brands access to Hexo's technology.

## Positive EBITDA

In the first six months of fiscal 2021 (month ended January 31, 2021), Hexo reported a net loss of \$25.03 million versus the \$358.3 million net loss in the same period last year. Notably, the positive EBITDA in Q2 fiscal 2020 was the seventh consecutive quarter that Hexo registered an improved adjusted EBITDA.

The company will report its Q3 fiscal 2022 earnings on June 14, 2021. It should be worth watching, because another positive result could send the price soaring.

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